INCOME TAX OFFICE
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LANSING, MI 48933-1697

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LANSING, MICHIGAN
PARTNERSHIP
INCOME TAX RETURN - FORM L-1065

Revised 01/2011

FOR: **PARTNERSHIPS** DOING BUSINESS IN LANSING, MICHIGAN

FILING INSTRUCTIONS

FILING DATE: Calendar year taxpayers must file by April 30.Fiscal year taxpayers must file within four (4) months after the end of the fiscal year.

REMITTANCE: Partnerships electing to pay tax for partners must remit for all partners when filing return. The tax due, if one dollar ($1.00) or more must be paid when filing the return. Make remittance payable to:

TREASURER–CITY OF LANSING

Who Must File a Partnership Return (Form L-1065)

Every partnership that conducts business activities in the City of Lansing, whether or not an office or place of business is maintained in the city, is required to file a return within four (4) months following the end of the taxable year. If on a calendar year basis, the return must be filed by April 30. Syndicates, limited liability companies, joint ventures, pools and like organizations will also use Form L-1065. So called "Sub S" corporations (under Secs.1371-1377, Internal Revenue Code) must file as corporations on Form L-1120.

Residents vs. Non-Resident Partners

Partners who are residents of Lansing are taxed on their entire distributive shares of the net profits of the partnership, including that arising from business activity outside the city, and including interest, dividends, and royalties and gains from the sale or exchange of property, either tangible or intangible.

Partners who are non-residents of Lansing are taxed on distributive shares of the portion of the net profit which is attributable to business activity in the city, plus net rentals of property in the city and gains from the sale or exchange of real or tangible personal property in the city. They are not taxed on their share of net rentals on property outside the city, gains from the sale or exchange of real or tangible property outside the city, gains from the sale or exchange securities or other intangible property, or interest or dividends.

The Partnership Return, Form L-1065, is designed to distinguish between that income taxed to residents and that taxed to non-residents.

The return shall set forth the entire net profits for the period covered and show the distributive share of each partner, indicating those who are residents of Lansing and those who are non-residents. If residency changes during the taxable periods for any partner, use two lines to indicate allocation of income by status in all schedules where applicable.

Option to Pay Tax

At its election, the partnership may file either an information return or it may compute and pay the tax which is due with respect to each partner's share of the net profit of the business, after giving effect to exemptions and other items to which each partner is entitled. Such election is available to all partnerships regardless of the residency of the partners. The partnership may pay the tax for partners only if it pays for all partners subject to the tax.

If the partnership elects to pay tax on behalf of the partners, then such election and payment shall be deemed to meet the requirements for the filing of a return, as provided by the Ordinance, for each partner who has no other income subject to the tax. However, a return shall be required from any partner having taxable income other than his/her distributive share of the net profits of the partnership. In such instances the partner should enter an “Income from Partnerships” on their individual return the amount shown on the partnership return on Page 1 Column 1. The deductions shown in Columns 2 and 3 and the credit in Column 7 paid on their behalf by the partnership should also be listed on their individual return.

Partnership as Taxpayer

If the partnership elects to pay the tax on behalf of the partners then it assumes the status of a taxpayer to the following extent:

1 Timely Payment. Payment must be made within four (4) months from the end of the fiscal year or period otherwise; it will be subject to interest and penalties the same as a delinquent payment from any other taxpayer.

2. Payment of estimated tax. The election of the partnership to pay the tax on behalf of the individual partners also carries with it the requirement to file a Declaration of Estimated Income Tax Form L-1040-ES, if the total estimated tax for the partnership is expected to exceed $250, and to pay such tax. If the partnership so files and makes payments; the partners will not be required to file a Declaration as individuals, unless they have additional income (from which Lansing income tax was not withheld) on which the Lansing tax is expected to exceed $100. The fiscal year of the partnership will govern in establishing the dates for filing the declaration and paying the estimated tax.

Income: Instructions for Page 1

All dollars reported on the return should be rounded to the nearest whole dollar.

Exclusions Column 2: Any items of income which are non-taxable and which are included in Column 1 of this section may be deducted in Column 2.

If the analysis of Column 7, Schedule I on Page 3 indicates that a net capital loss has been realized by any of the partners, the amount of the excess of the net capital loss included in Column 7, Schedule I, Page 3 over the partner's allowable capital loss deduction must be added back in Column 2, Page 1. The allowable capital loss deduction for each partner is the lower of (1) the net capital loss, (2) the amount in Column 1 Page 1, computed without regard to capital gains and losses, or (3) to the extent provided by the Federal Internal Revenue Code.

If the partnership is filing an information return only, the individual partners will report their distributive shares of the partnership's sales and exchanges of property on their individual L-1040 returns in the same manner as provided by the Federal Internal Revenue Code.

Any deduction must be explained in an attached schedule.

Exemptions–Column 3. Exemptions are allowed for each partner and his or her dependents. An exemption of $600 is allowed for the partner, the partner's spouse, and each dependent. In general, the same rules apply in determining dependents as under the Federal Internal Revenue Code. A spouse may be taken as an exemption on the partnership return only if such spouse has no income subject to the Lansing income tax and taxpayer contributes at least 50% of his (her) support. Additional exemptions are allowed if the partner or his spouse is over 65, blind, deaf or totally and permanently disabled.

Total Tax. Columns 5, 6 and Box 6(1). Enter the tax computed at 1% for individual resident partners in Column 5, the tax computed at 1/2% for individual non-resident partners in Column 6 and the total tax (the sum of Columns 5 and 6) in the box designated 6(1). The income tax rate for all corporations and joint ventures is 1% for resident and non-resident entities.

Credits. Column 7. Enter in Column 7: Payments made by the partnership for tax paid with a tentative return; or for payments on prior year Declaration of Estimated Income Tax, or any payments and credits made by the partnership on behalf of Lansing resident partners for income taxes to any other municipality, if the income on which such tax was levied is included in this return. Do not take credit for income taxes paid another municipality on behalf of partners who are not Lansing residents. The credit shall be the lesser amount of either (1) the income tax paid the other municipality, or (2) the amount of tax that would be due to the City of Lansing on earnings in the other municipality.

All credits of Column 7 are to be distributed on lines 7a, b, and c and totaled on line 8. The total of line 8 must agree with the total of column 7.

Organizations required to file Lansing partnership returns and doing business in a Lansing Renaissance Zone may be eligible for a renaissance zone credit by completing Schedule RZ. This credit became available July 1, 1997 and expires June 30, 2012. Please contact the City of Lansing Assessor's Office at 517-483-4020 to determine if your business is located in a renaissance zone.

Schedule A–Ordinary Income from Business

This schedule is used to indicate all of the ordinary income of the partnership which may be subject to the Lansing income tax. Line 5 of the Schedule, therefore, will show the total ordinary partnership income to account for. Schedules B, E, F and G will then be filled out to compute the taxable portion of the other partnership income. These taxable amounts are then compiled in the Summary Schedule I on Page 3. The amounts shown in Column 10 of Schedule I for each partner are to be transferred to the income section on Page 1 Column 1. If the partnership elects to pay the tax, fill in lines 7 through 12.

Line 2. If the Lansing or Federal income tax has been included as an expense in Schedule C, it should be added back here.

Schedule B–Income from Dividends and Interest

Line 2. Interest from obligations of the United States, the states, or subordinate units of government of the states, are exempted from the tax. If they have been included in the total on line 1 they should be deducted here.

Line 5. Use line 5 to exclude dividends and interest applicable to non-resident partners since dividends and interest are not taxable to non-residents.

When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc., shall be considered as business income taxable to non-residents.

Schedule C–Income from Partnership to Account For

Schedule C is used to indicate all of the income of the partnership which may be subject to the Lansing Income Tax.

Line 29 is the total partnership income to account for. Schedules A, B, E, F and G will then be completed to compute the taxable portion of the income shown on line 29. These taxable amounts are then compiled in the Summary Schedule I on page 3.

Schedule E–Sale or Exchange of Property

Gains and losses from the sale or exchange of property are treated in the same manner and the amount subject to tax determined on the same basis, as under the Federal Internal Revenue Code.

Only the amount of the gain or loss occurring from July 1, 1968, to date of disposition shall be recognized for purposes of the Lansing income tax. The amount of gain or loss occurring after July 1, 1968, is to be determined by either (1) computing the difference between the July 1, 1968 fair market value (July 1 closing price for traded securities) or the cost if the date acquired was subsequent to July 1, 1968, and the proceeds from the sale or exchange, or (2) by using the gain or loss for the entire holding period, as computed for Federal income tax purposes, and computing the taxable portion of such gain or loss on the ratio that the number of months held in the period subsequent to July 1968, is to the total time the property was held.

Schedule F–Income (or Loss) from Rents-and-Royalties

Lines 1 and 2. Income or loss from rents from tangible property located in Lansing is taxable to both residents and non-residents. Income or loss from royalties, and rents of property located outside Lansing, is not taxable to non-residents.

Schedule G-income from Other Partnerships, etc.

Line 1. Enter here the amount taxable to residents only. If all members of the partnership are residents it will not be necessary to complete line 2 of this schedule. Enter the full amount received from other partnerships in Column 1. If any interest on governmental obligations is included in the total, deduct such amounts in Column 2 and show the net amount in Column 3.

Whenever the members of a partnership include both residents and non-residents of Lansing it will be necessary to analyze the type of income received from other partnerships. This is necessary since the income received from such other partnerships may include amounts for business activity in Lansing and also amounts for business activity outside Lansing. It may also include amounts for dividends and interest. Some elements of this income are taxable to both residents and non-residents, some to residents only. Attach a schedule of your analysis or computation.

Schedule I-Summary of Schedules A, B, E, F, and G

Column 1. If Sec. 179 depreciation is included in Federal Form 1065, and if the partners have unequal credits for such depreciation (e.g. if one partner is married filing separately and one is married filing jointly or single for Federal income tax purposes) the apportionment of income to partners in this column will require special computation.

Tax Due or Refund

If the partnership has elected to pay the tax for the partners and payments and credits exceed the tax due, show the amount of such overpayment on Page 1, line 10 and check the box(s) on line 11 or 12 to indicate disposition of overpayment. Refunds will be made as quickly as possible, please allow 90 days before making any inquiry.

Remit the returns as follows:

Payment Due:	City Treasurer's Office P.O. Box 40752 Lansing, MI 48901
Refund or Credit:	City Income Tax Room G-29,1st Floor 124 W. Michigan Ave. Lansing, MI 48933

AMENDED RETURN

Previously submitted returns may be amended by using the City of Lansing Form L1120X. This form can be obtained from the City Income Tax Office.

Assistance

If there are any questions not answered in these instructions, call or visit the Income Tax Office. Questions by mail should be directed to: Income Tax Office, G-29, 1st Flr-City Hall, 124 W. Michigan Ave., Lansing, MI 48933 or phone 517-483-4114.